

CHAPTER 126. MONITORING PART 145 REPAIR STATIONS THAT ARE SUBSTANTIAL MAINTENANCE PROVIDERS, BEFORE, DURING, AND AFTER LABOR DISPUTE, STRIKE, OR BANKRUPTCY

SECTION 1. BACKGROUND

1. PROGRAM TRACKING AND REPORTING SUBSYSTEM (PTRS) ACTIVITY CODES.

A. Maintenance: 3644 (New)

B. Avionics: 5634 (New)

3. OBJECTIVE. This chapter provides information and guidance to be used by inspectors when conducting surveillance of a domestic repair station and repair stations located outside the United States (air agency) before, during, and after a labor dispute, strike, or bankruptcy to ensure continued regulatory compliance. A repair station in distress experiencing labor issues may be unable to meet financial obligations, and filing for bankruptcy protection may affect necessary maintenance and operational activities, thereby adversely impacting safety. During these periods, Flight Standards Services (AFS) may require an increased and focused surveillance plan. In any case, the Federal Aviation Administration (FAA) should ensure that public safety is not jeopardized.

5. GENERAL. Safety is a concern when any of the above events cause disruption in air carrier substantial maintenance provider's (repair station) operation. The air agency/repair station is responsible for recognizing current or potential labor or financial problems that could adversely affect safe operations. Repair station management should take a proactive role in these matters and not just react to events as they happen. The repair station should communicate with its certificate-holding district office (CHDO) and keep them apprised of operational impacts. Agency management should present a comprehensive brief to the principal inspector (PI) on how they will continue to operate and meet requirements using management personnel. In some repair stations, certificated repairmen are considered management and should not normally go out on strike. In other repair stations, the repairmen might be considered part of the bargaining unit and may be affected by the strike. In this case, the PI should verify that there are enough certificated personnel available to adequately supervise or perform maintenance as required by the workload. Using the self-disclosure program, the

repair station management should inform the CHDO of any significant safety-related findings that were identified through its monitoring and oversight programs. The CHDO may learn of events leading to a labor dispute, strike, or bankruptcy from news media, normal surveillance, the public, other government entities, or other means. Regardless of the source of information, the affected FAA office should initiate immediate action. Since these problems may raise questions about an air agency's ability to safely conduct operations, CHDO and PIs should be alert to indicators of financial problems and be ready to take immediate action if required.

A. Indicators. One or more of the following indicators may show that a repair station operator is experiencing financial problems:

- Requests for changes in training programs
- Changes in the upkeep of equipment
- Unrest among the work force
- Trouble maintaining parts inventories, excessive back orders, Cash On Demand-only basis with suppliers
- Parts being purchased from nonaccredited parts brokers data not current
- Increasing number of personnel furloughs and layoffs, especially of nonproduction personnel
- Changes in maintenance contracts with air carriers
- Increased use of noncertificated agencies
- Increasing number of personnel layoffs
- Changes in substantial maintenance contracts
- Increase in repeat/warranty work

- Increase turnover rate among employees/management personnel
- Delays in meeting payroll
- Increased frequency of complaints against the repair station
- High-risk credit rating in the Safety Performance Analysis System (SPAS)
- Labor problems reported in the media that appear to indicate financial distress
- Voluntary or involuntary salary cuts
- The PI must continually evaluate the operators outsourcing program
- The PI must be kept informed of changing situations at any certified repair station through out the world, and the best tools for this data gathering may be found in the SPAS. SPAS repair station analytical model (RSAM) and repair station profile are designed to keep the PI well informed

B. Bankruptcy/Potential Bankruptcy. Financial difficulties may occasionally lead a repair station operator to file for bankruptcy protection. In these cases, early FAA notification is often not practical. Therefore, it is essential that substantial maintenance providers (repair stations) intending to operate during bankruptcy proceedings develop, in partnership with the FAA, an operating plan. Since judgments and decisions of the bankruptcy court should be taken into account, it may be impractical for the operator to project a completion date for all operational changes. The operator should continue to operate at all times in accordance with Title 14 of the Code of Federal Regulations (14 CFR).

NOTE: The regulations do not specifically require repair stations to notify the FAA of impending bankruptcies. However, 14 CFR part 145, § 145.109, requires a repair station to have the equipment, material, and data required by its operations specifications (OpSpecs). Part 145, § 145.151, provides the minimum requirements for personnel.

C. Surveillance. When an air agency experiences a labor dispute, strike, or potential bankruptcy, the CHDO may need to modify the existing surveillance plan to assess the repair station's ability to conduct safe operations. The surveillance program should be modified to meet any unique circumstances and operational changes proposed by the operator. The surveillance program should be based upon risk assessment. It should focus on high-risk areas (i.e., those with failure consequences resulting in the highest severity level and have high likelihood of accruing).

D. Communications.

(1) Operator Communications. The CHDO should initiate and maintain an open line of communication with the repair station/air agency. The CHDO and repair station/air agency should continually discuss the repair station's operational status and projected changes, including FAA surveillance adjustments. Such collaborative communication is intended to maintain a proactive oversight of the operation.

(2) Internal FAA Communications. Labor disputes, strikes, and potential bankruptcy actions generate many inquiries, complaints, and opinions from other government agencies, labor unions, the public, and other sources. Therefore, the CHDO should inform the Regional Flight Standards Division Office (RFSD).

NOTE: In the course of conducting surveillance, an inspector inevitably acquires proprietary knowledge about the operator and forms personal opinions. Inspectors and managers should not express personal opinions or discuss any findings with the media or public. FAA employees should refer all public inquiries regarding the status of FAA activities to the appropriate public affairs office.

E. Resumption of Operations after Labor Dispute, Strike, or Bankruptcy. After the labor dispute, strike, or bankruptcy has been resolved, normal operations might not be resumed immediately. Upon resumption of normal operations, the FAA may need to revise its level and focus of surveillance. It is important to maintain internal FAA coordination for agreement on the appropriate levels of surveillance.

SECTION 2. PROCEDURES

1. PREREQUISITES AND COORDINATION REQUIREMENTS.

A. Prerequisites:

- Knowledge of the regulatory requirements of parts 145
- Successful completion of the certification and surveillance of part 145 Repair Stations Course Number 21058
- Stations Course Number 21058

B. *Coordination.* This task requires coordination between the CHDO and the RFSD Office.

3. REFERENCES, FORMS, AND JOB AIDS.

A. References:

- Part 145

B. *Forms.* None.

C. *Job Aids.* None.

5. CHDO RESPONSIBILITIES AND PROCEDURES.

A. Regional Coordination.

(1) *Before a Labor Dispute, Strike, or Bankruptcy.* When a determination is made that a labor dispute, strike, or bankruptcy is expected, the CHDO should:

- (a) Immediately inform the RFSD Office.
- (b) Report the extent of any possible work stoppage or interruption in operations.
- (c) Report any tentative modifications to the surveillance plan during the labor dispute, strike, or bankruptcy.
- (d) Report any operational safety concern.

(2) *During a Labor Dispute, Strike, or Bankruptcy.* When the labor dispute, strike, or bankruptcy occurs, the CHDO should:

(a) Immediately inform the RFSD Office.

(b) Coordinate with the operator regarding its business plan (see paragraph 5B).

(c) Modify and coordinate the surveillance plan with the RFSD Office (see paragraph 5C).

(d) Assess any resource needs and communicate these needs to the regional office.

(e) Continually advise the regional office of any newsworthy events or significant developments.

(f) Assess what safety elements may be compromised.

NOTE: Once the labor dispute, strike, or bankruptcy occurs, both the operator and the CHDO should work proactively and in partnership to implement and execute the business and surveillance plans. The operator and CHDO should discuss any significant safety-related findings either generated through the repair station's own internal tracking and oversight programs or the FAA surveillance activities.

B. *Repair Stations Plan.* When an operator faces financial difficulties (e.g., pending bankruptcy), the operator should develop and submit a business plan that outlines operational impacts and management initiatives.

(1) *Meet with the Repair Stations Accountable Management.* The CHDO should schedule a meeting to brief the repair stations key management personnel to discuss the need for a business plan.

(a) At the initial meeting, the CHDO will inform the repair station accountable management that they should develop and submit a business plan that should include the following elements:

- Address any changes the air agency/repair station will make during the transition period that will require FAA approval or acceptance, including possible reduction in ratings and changes to Opspecs

- Address possible operational impacts and reduced capabilities (e.g., staff reduction, contracting out, etc.)
- Address the decisions of the bankruptcy court (if applicable)
- Address initiatives for continued compliance with regulatory requirements and safe operating practices during the transition
- Indicate interim operating methods and procedures with provisions for additions or modifications to the plan when necessary
- Include the repair stations estimated schedule of when changes will be implemented

(b) The CHDO should advise the repair station accountable management that the FAA is prepared to respond to business plan modifications in a timely manner; however, the repair station should provide timely notification to the FAA of these changes.

(2) *Review the Business Plan.* The CHDO should review the repair station business plan to ensure that it covers the requirements listed in paragraph 5(1)(a). If the PIs find deficiencies or potential problem areas in the business plan, they should meet with the repair station to work through the subject areas.

(3) *Develop a Surveillance Plan, if Necessary.* The repair station may decline to develop a business plan or share the contents of such a plan with the CHDO. In such cases, the CHDO should develop a surveillance plan with increased emphasis placed in areas of suspected moderate and high risk.

C. Surveillance Program.

(1) The CHDO will continually review its surveillance program and adjust it to meet the repair station changing needs.

(2) All FAA surveillance should be recorded using the appropriate PTRS activity codes listed in this

chapter. Geographic units may be assigned to perform additional surveillance activities, as required. The RFSD Office will ensure that geographic work force resources are available to accomplish the activities.

(3) *Assessment and Coordination of Surveillance Data.*

(a) Information obtained from surveillance reports, the PI, and CHDO management should evaluate other related sources with special emphasis on the following areas:

- Noncompliance with regulations or safe operating practices
- Negative trends
- Isolated deficiencies or incidents
- Causes of noncompliance trends or isolated deficiencies

(b) The results of any assessment of surveillance data should be provided to the principal maintenance inspector and/or principal avionics inspector. The PIs will communicate the necessary information to the repair stations accountable management.

(c) The PI will debrief the repair stations accountable management team.

- Discuss negative trends or findings discovered by the surveillance
- Discuss possible corrective action(s)
- Inform the repair station accountable management team that the PIs will forward an official written notification of findings
- Inform the repair station accountable management team to submit a corrective action plan

NOTE: The PIs and the repair station accountable management should agree on time limits for the corrective action plan during the debriefing. Negotiations over time

limits can be done later if mitigating circumstances arise.

(4) *Followup Surveillance.* Once a corrective action has been completed, the CHDO will schedule periodic follow up surveillance (completed within 6 months) in the areas of the deficiency to determine the effectiveness of the repair stations corrective action.

D. Resumption of Normal Operations After a Labor Dispute, Strike, or Bankruptcy. In some cases, after a repair station emerges from a labor dispute, strike, or bankruptcy, the reduction in operations is followed by rapid expansion. The CHDO should develop a followup surveillance plan. When monitoring repair stations during periods of growth or major change, the surveillance plan will confirm whether the operator is able to continue operating in compliance with the regulations.

7. REGIONAL RESPONSIBILITIES AND PROCEDURES.

A. Before a Labor Dispute, Strike, or Potential Bankruptcy. When the CHDO informs the regional office that a labor dispute, strike, or potential bankruptcy is expected, the RFSD Office should:

(1) Review any tentative modifications to the surveillance plan from the CHDO and work with the CHDO to improve the plan, if necessary;

(2) Determine if the CHDO will need additional resources for the surveillance plan; and

(3) Review any safety concerns.

B. During a Labor Dispute, Strike, or Bankruptcy. When the CHDO informs the regional office that a labor dispute, strike, or bankruptcy is actually occurring, the RFSD Office should:

(1) Review the CHDO's modified surveillance plan;

(2) Allocate any additional resources to the CHDO, as needed;

(3) Coordinate with other RFSD Office;

(4) Provide any of the data, assessment, or information that may be useful to the CHDO, as needed;

(5) Review any safety concerns; and

(6) Currently SPAS does not offer financial information. Therefore, managers, ASIs, and analysts are advised to contact Flight Standards Analytical I Information Center (FSAIC) for financial information.

9. FUTURE ACTIVITIES. The CHDO should:

A. (Task outcomes may vary). Schedule and accomplish follow up surveillance(s) (completed within 6 months) specific to the areas in which the repair station accountable management has taken corrective actions to correct deficiencies found during the labor dispute, strike, or bankruptcy.

B. Schedule and accomplish follow up post-labor dispute, strike, or bankruptcy surveillance activities.

C. Keep all supporting documentation.

FIGURE 126-1. MONTHLY SURVEILLANCE REPORT CHECKLIST

The CHDO's monthly surveillance report should address the following:

1. External stress issues that the repair station is experiencing, such as:
 - a. Labor disputes (pre-contract)/slow downs/work disruptions/maintenance personnel refusal to work overtime).
 - b. Management issues (lockouts/refusal to negotiate).
 - c. Lighting strike (labor strikes that are sparked by insignificant instances and are short).
 - d. A bankruptcy or potential bankruptcy.
 - e. Changes in the repair stations accountable management.
 - f. Significant changes in repair station personnel.
 - g. Significant changes in equipment (office type/ground support/aircraft, and shops etc.).
2. A review of significant surveillance findings.
3. The repair station's SPAS performance measures (negative trends), if appropriate.
4. Any changes to the operator's business plan.
5. Corrective actions (discrepancies that the repair station corrected during this reporting period).
6. Changes in management personnel.
7. Changes in technical support personnel.
8. Recent pending enforcement cases.
9. Other areas reflecting changes determined by the CHDO/RFSD Office.
10. Any safety concerns.
11. Changes in ratings and OpSpecs.

FIGURE 126-2. RISK INDICATORS

- a.1. **SPAS Economic Indicators.** Periodically, PIs should: Review the SPAS Experian Credit Rating Database for economic and/or financial changes, such as changes in the air agency's external credit rating.
2. **Changes in Management.** During surveillance activities, inspectors should:
- a. Review the OpSpecs and Vital Information Subsystem (VIS) regularly to determine changes or vacancies in the part 145 key management personnel.
 - b. Inquire about changes in repair station middle management that are responsible for critical departments in the organization.
 - c. Inquire about reorganizations that can reduce the amount of safety oversight within the repair station.
 - d. Determine if there is a good working relationship between the repair station and FAA personnel.
 - e. Determine whether the repair station management is willing to share data and disclose findings to the FAA.
3. **Turnover in Personnel.** During surveillance activities, inspectors should:
- a. Inquire about changes in personnel/departments (streamlining) that may reduce the amount of safety oversight within the repair station.
 - b. Inquire about turnover in personnel to determine the potential impact on the repair station's system and operational stability.
 - c. Find out whether new or remaining staff is being retrained or cross-trained to perform new or expanded maintenance and/or operations functions.
4. **Reduction in Force.** During surveillance activities, inspectors should:
- a. Find out if downsizing has reduced the amount of internal safety oversight within the repair station.
 - b. Good communications and people skills are a necessity; the PI should keep an open dialog with the repair station management. The PI should discuss the impact of recent events and keep informed as to the ability of the repair station to continue its operations. Has the internal repair station system and operational stability been weakened. Ensure that its management has assessed what a reduction in force, layoff, or buyouts will have on its ability to meet its certificate responsibilities.
 - c. Inquire about the speed or rate of any reduction, layoff, or buyout.
 - d. Inquire about the issue of training as it relates to workforce reductions or layoffs. Whether the remaining staff is being retrained or cross-trained to perform the new functions is a factor.

5. Mergers or Takeover. During surveillance or certification activities, inspectors should:

- a. Inquire about whether the buyer has an aviation background.
- b. Inquire about whether key personnel will be retained or replaced.

6. Labor Management Relations. During surveillance activities, inspectors should:

- a. Inquire about threatened or actual shutdown in operations, which may have a disastrous economic impact on a repair station.
- b. Inquire about the status of the bargaining agreement between repair station labor and management, if applicable.
- c. Look for signs that indicate a lack of trust between parties, if applicable.
- d. Look for dissatisfaction among groups within the owner/operator base, which indicates instability. For example, long hours, and low pay, even an owner/operator, can present problems and have an impact on a repair station's system and operational stability.

7. Changes to Program/Outsourcing. During certification or surveillance activities, inspectors should:

- a. Consider the impact of new or major program changes on personnel. For example:
 - Does the repair station's staff size and capabilities meet the requirements of these program changes?
 - Is repair station personnel trained in and have a clear understanding of the new program or program changes?
- b. Consider the reason behind any program improvements or enhancements when reviewing a program change or revision.
 - a. Consider how the repair station's outsourcing policies affect its internal surveillance requirements.
 - b. Consider the qualifications of the outsourcing contractors. For example, the PI should determine if the outsource maintenance providers were approved by the contracting repair station (air agency).

8. Relocation/Closing of Facilities. During surveillance activities, inspectors should:

- a. Consider the impacts of adding, closing, or relocating a facility. For example, new facilities may require more surveillance than older, established facilities.
- b. Consider the background and experience of the personnel assigned to the new facility added by a repair station.

- c. Consider the impact that a change in facility has on the personnel requirements and determine whether the repair station has adequate resources and training.
- d. Consider the rate and pace at which the repair station adds, relocates, and/or closes facilities. For example, a change that is major, abrupt, haphazard, and/or occurs over a short timeframe may be a sign of trouble.
 - a. Do the new facilities have the required tools and equipment to do the work?